

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1725 - HB 1760

February 11, 2018

SUMMARY OF BILL: Establishes a ten percent diesel tax refund on fuel used to operate a garbage or sanitation truck.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$10,500/FY18-19 and Subsequent Years/General Fund
\$594,000/FY18-19/Highway Fund
\$678,300/FY19-20 and Subsequent Years/Highway Fund**

**Decrease Local Revenue – \$311,000/FY18-19
\$341,100/FY19-20 and Subsequent Years**

Assumptions:

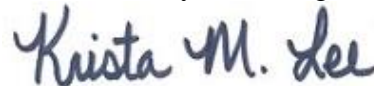
- According to the U.S. Environmental Protection Agency's (EPA) Population and Activity of On-Road Vehicles study, it is estimated that there were approximately 232,500 garbage and sanitation trucks in the United States in 2016.
- According to the 2010 federal census, Tennessee's population was approximately 2.1 percent of the United States population (6,346,105 / 308,745,538).
- It is estimated that there are 4,882 garbage and sanitation trucks in Tennessee (232,500 x 2.1 %).
- The same EPA study found that the average annual miles traveled by a garbage or sanitation truck was 19,768 per year, or 96,507,376 total annual miles for all garbage and sanitation trucks in Tennessee (19,768 x 4,882).
- According to the U.S. Department of Energy, the average miles per gallon of garbage and sanitation trucks is 2.53 miles per gallon; therefore, garbage and sanitation trucks in Tennessee use approximately 38,145,208 gallons of diesel fuel per year (96,507,376 miles / 2.53 miles per gallon).
- A refund of 10 percent on fuel used for garbage and sanitation trucks will equal a refund applicable to approximately 3,814,521 gallons of fuel (38,145,208 x 10%). This number is assumed to remain constant into perpetuity.
- Pursuant to Tenn. Code Ann. § 67-3-202(a)(1)-(3), the diesel fuel tax for FY17-18 is \$0.21 per gallon, \$0.24 per gallon in FY18-19, and \$0.27 per gallon in FY19-20 and subsequent years.

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- Pursuant to Tenn. Code Ann. § 67-3-905(a), diesel tax proceeds derived from the first \$0.17 per gallon tax are allocated approximately as follows:
 - 1.62 percent to the General Fund;
 - 37.13 percent to counties and municipalities; and
 - 61.25 percent to the Highway Fund.
- Pursuant to Tenn. Code Ann. § 67-3-202, revenue attributed to the increase in diesel tax, as imposed by Public Chapter 181 of 2017, shall be allocated as follows:
 - 26.3 percent to counties and municipalities;
 - 73.7 percent to the Highway Fund.
- A decrease in state revenue of \$915,485 in FY18-19 ($3,814,521 \times \0.24), allocated as follows:
 - General Fund - \$10,505 ($3,814,521 \text{ gallons} \times \$0.17 \times 1.62\%$).
 - Local Government - \$311,001 [$(3,814,521 \text{ gallons} \times \$0.17 \times 37.13\%) + (3,814,521 \text{ gallons} \times \$0.07 \times 26.3\%)$]; and
 - Highway Fund - \$593,979 [$(3,814,521 \text{ gallons} \times \$0.17 \times 61.25\%) + (3,814,521 \text{ gallons} \times \$0.07 \times 73.7\%)$].
- A decrease in state revenue of \$1,029,921 in FY19-20 and subsequent years ($3,814,521 \times \$0.27$).
 - General Fund - \$10,505 ($3,814,521 \text{ gallons} \times \$0.17 \times 1.62\%$).
 - Local Government - \$341,098 [$(3,814,521 \text{ gallons} \times \$0.17 \times 37.13\%) + (3,814,521 \text{ gallons} \times \$0.10 \times 26.3\%)$]; and
 - Highway Fund - \$678,318 [$(3,814,521 \text{ gallons} \times \$0.17 \times 61.25\%) + (3,814,521 \text{ gallons} \times \$0.10 \times 73.7\%)$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb